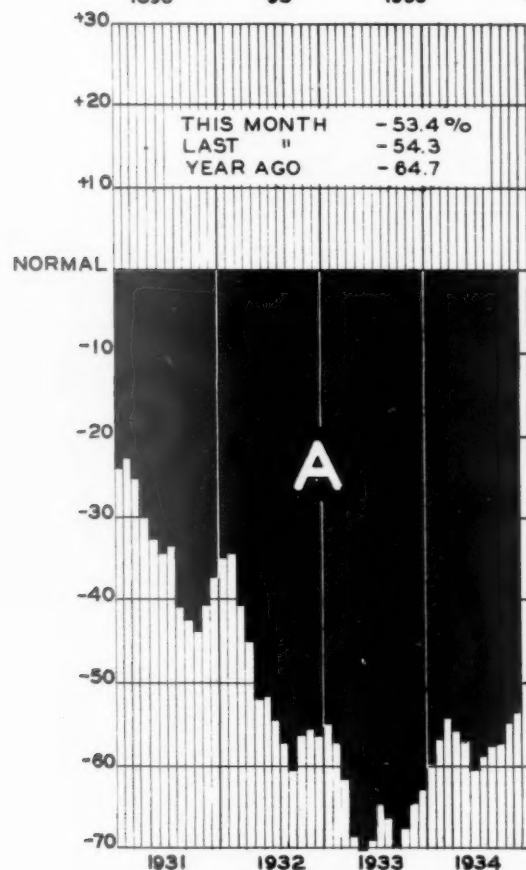
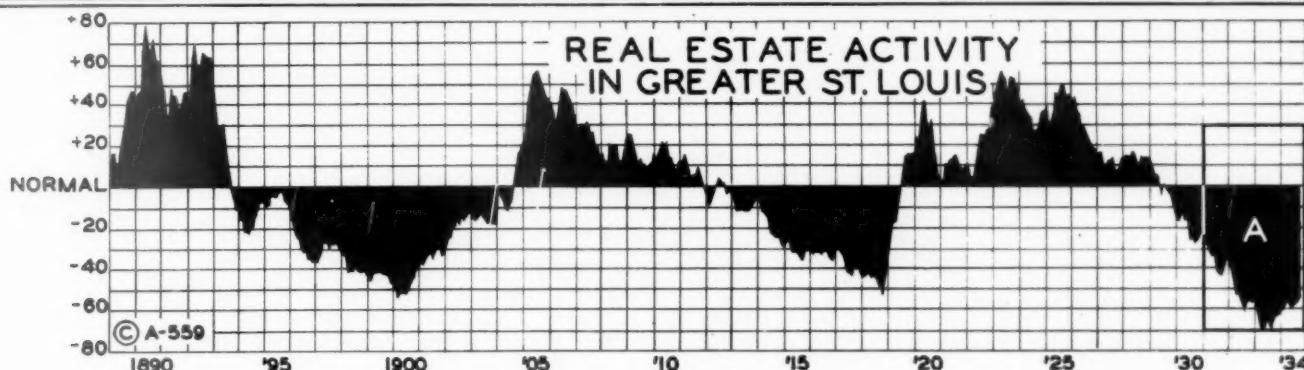




DECEMBER, 1934

The Real Estate ANALYST



EACH major metropolitan city in the United States either has been visited during the past month and a half or will be visited during the next few months by the editor of the Real Estate Analyst. In each city every effort is being made not only to secure current figures each month but to reconstruct as much of the past as possible. In some cities it has been possible to secure consecutive records, month by month, back to 1850. These records are being studied and analyzed with the greatest care in an effort to learn as much as they can tell of the basic fundamentals of the real estate cycle.

At the time this issue goes to press the following cities have already been covered: Boston, Chicago, Denver, Detroit, Los Angeles, Milwaukee, New York, Oakland, Omaha, Philadelphia, Pittsburgh, Salt Lake City, San Francisco and Tulsa.

Residential rentals are being checked weekly in twenty-eight cities. The number of new family accommodations provided each month in all principal cities is being studied very carefully. Residential vacancy records for 1934 are available in more than 75 cities. Building costs are under close scrutiny.

The most interesting conclusion we have been able to draw thus far from the figures of these many cities is that in all of them the basic real estate cycle is substantially the same. This fact has made it possible in the past to forecast real estate activity for the United States on the basis of the measured experience in the Greater Saint Louis area. We still believe that nothing can equal the exhaustive study of all of the factors affecting real estate in a single city. A microscopic study of germ culture from a single patient may reveal more of the real cause of the malady than a study of all of the more apparent symptoms of all of the sufferers from that disease in all of the hospitals in the land. But true science supplements the one type of study with the other, and this we are trying to do in our studies of real estate. The microscopic study of all of the economic factors affecting

real estate as revealed in the Saint Louis figures will be checked in so far as possible by the figures from other cities.

The showing for the month of November was as follows:

Real estate activity in Saint Louis, as shown on the chart on the front of this issue, has continued to improve. This improvement is not confined to Saint Louis. In most other cities it has been quite pronounced during the past six months.

The foreclosure rate showed a slight increase over the preceding month. Many other cities have experienced the same recent rise, due largely, we think, to the final rejection of many HOLC loans.

Residential vacancy held steady this month, neither increasing nor decreasing. The halt in the absorption of units this month is probably due to many families with small incomes "digging in" for the winter by doubling up with relatives. It will be noticed that just about a year ago vacancy actually increased for a month. We have no national figures on residential vacancies for the last month or so, but we are watching for any local vacancy surveys which may be made in other cities.

Residential rentals are not yet showing any decided movement in Saint Louis, although they are on a slightly higher level for single family residences than they were at the beginning of the year. This is the situation in most of the cities we are checking. The figure for November shows a very slight advance over the October average. Rentals on heated quarters have stabilized this year, and have shown practically no change in most cities during the past nine months. In a few cities increases have started.

New residential building is still dragging the bottom. The chart on the back of this issue shows the situation in Saint Louis, and the chart on the bottom of this page shows the national picture. The lack of incentive to build, as explained in this and previous issues of the Real Estate Analyst, seems to be responsible for the resistance new building offers to all efforts at stimulation.

Building material prices have dropped slightly from the peak reached about the middle of the year. The cubic foot costs shown in this issue for various types of residential buildings in Saint Louis show a slight drop in comparison with the figures for the preceding quarter.

The marriage rate showed no improvement this last month, but continued to proceed at a level about sixty percent above the low of last year.



OFFICE BUILDING VACANCY

THE chart below shows a comparison of vacancy in residential units in Saint Louis with office building vacancy in Saint Louis and in forty-five cities. A study of this chart develops the following conclusions.

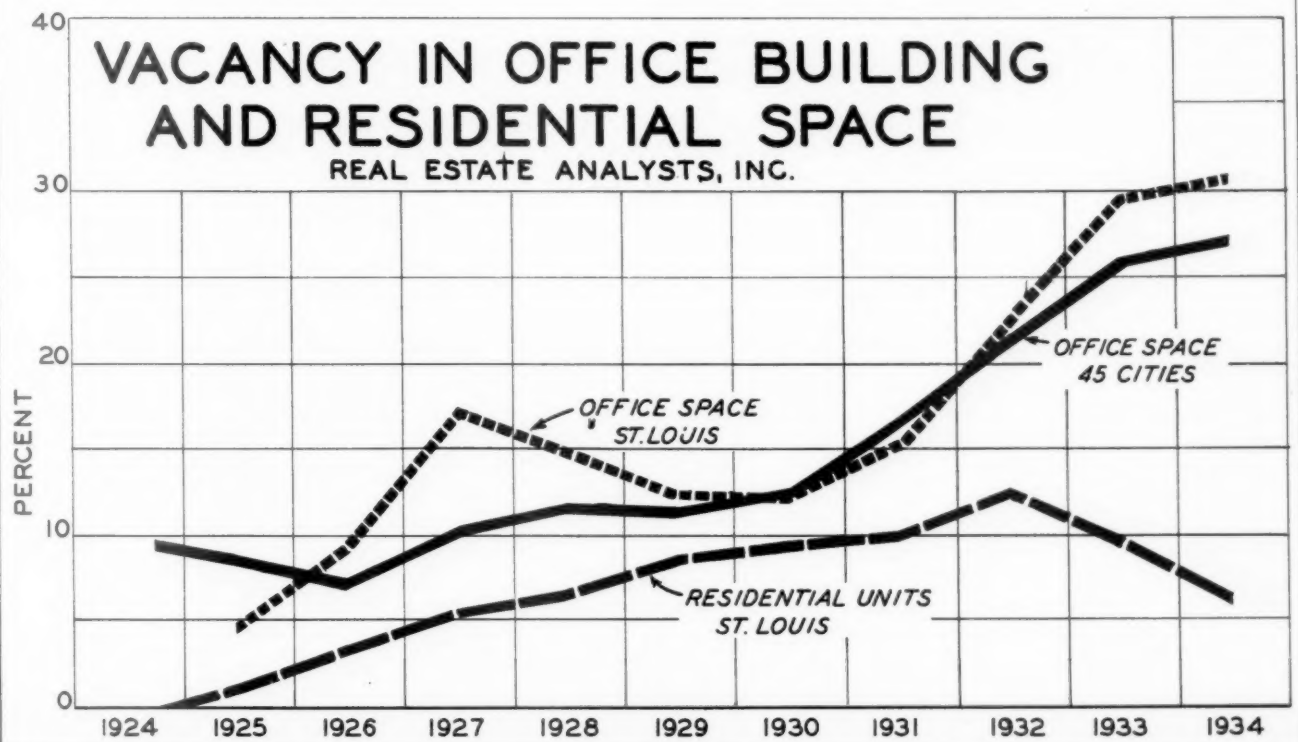
(1) The surplus of office space is not only considerably higher than the surplus of residential space, but it has been higher during the entire period covered by the chart. We believe that this is due largely to the fact that the shifting space requirements of expanding businesses made a surplus of from 8 to 12 per cent a more or less normal condition.

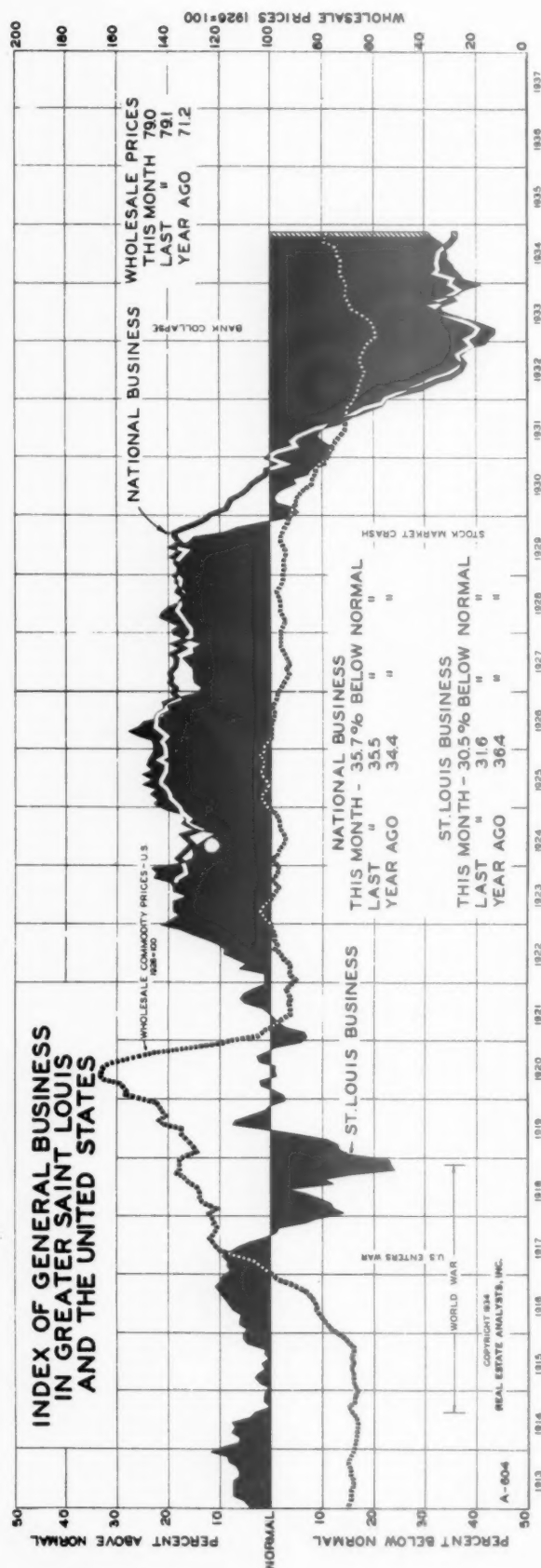
(2) The demand for office space is more inelastic than residential demand; that is, it does not expand or contract as readily in response to increases or decreases in rentals. Rent for office space forms a very small percentage of the cost of doing business. Accordingly, a drop in rentals, unless accompanied by a reduction in the other more important items of expense, will not result in a greatly increased demand. The shrinking volume of general business following the stock market collapse in 1929 caused office building vacancies in these forty-five cities to mount rapidly to a peak of 27.5% at the beginning of 1934.

(3) The greater fluctuation in the surplus for Saint Louis in comparison with the average of the forty-five cities is natural. The rapid rise in vacancies in office building space in Saint Louis in 1926 was due to the completion in that year of two large buildings. It required about three years to absorb this new space.

(4) The diversity of the trends of residential and office vacancy since 1932 has been quite marked. About 60% of the peak vacancy in residential units has been absorbed, but office building vacancy is still substantially at its peak. Since October, 1933 there has been but slight increase, and we believe that the next figures will show a decrease.

(5) In several cities our investigation indicates that the existing surplus is the result of a definite over building as well as a contraction of demand. In those cities, even with the return of general business activity, there will be a surplus greater than normal. For the country as a whole, it is estimated that about half of the existing surplus is due to the contraction of space requirements, and that this portion of office building vacancy will be absorbed quite rapidly as prosperity returns. If we are right, the office building field is not over built for the next ten years, as many would have us believe. We think that new office space will be needed in many of our cities within five years, and that then office building construction will swell the general activity, which we anticipate will reach boom proportions before 1940.



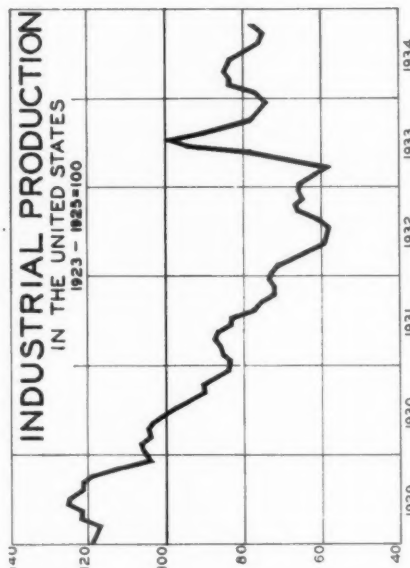


THE chart above shows the current position of Saint Louis and national business in comparison with the past twenty years. The black areas represent the periods of prosperity and depression in general business in Saint Louis. National business figured on exactly the same basis is shown on the solid line. Wholesale price fluctuations are shown by the dotted line. The month of November is shown by the shaded area. The last month on this chart is always a preliminary figure as it is seldom possible to get all of the figures complete by the time the Real Estate Analyst goes to press. These preliminary figures are corrected, if necessary, the following month.

This index of general business is not an index of production as most of the indexes are. We believe that it comes closer to the idea which the average business man has in mind when he talks about "general business conditions".

Slight changes in the general business level occurred during the current month. The national business index remained almost constant, while the index of Saint Louis business showed a small gain.

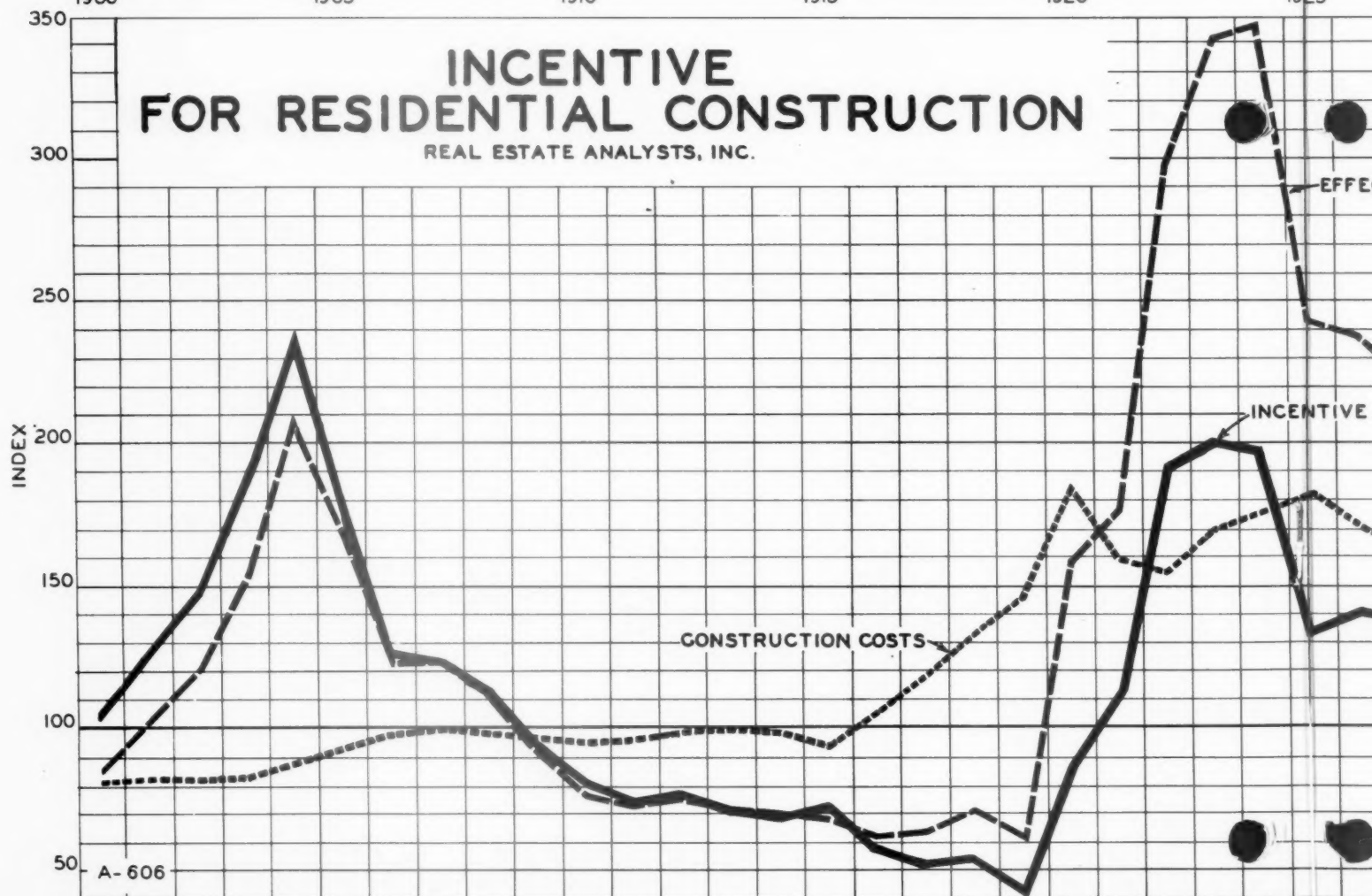
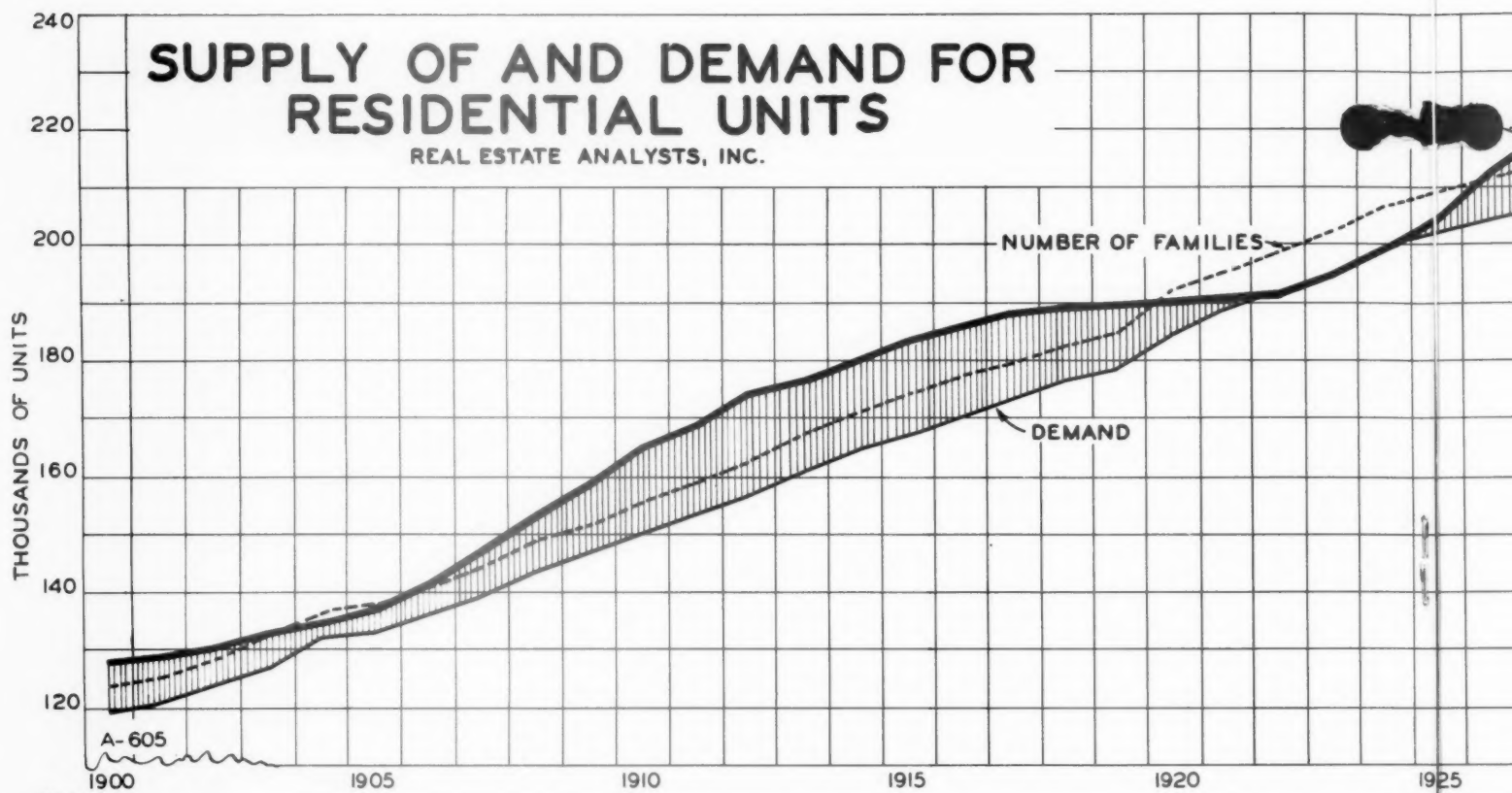
To show the contrast with an index based on production, we are showing on the small chart the index of production prepared by the Federal Reserve Board. This index is the basis of several of the better known "business barometers".

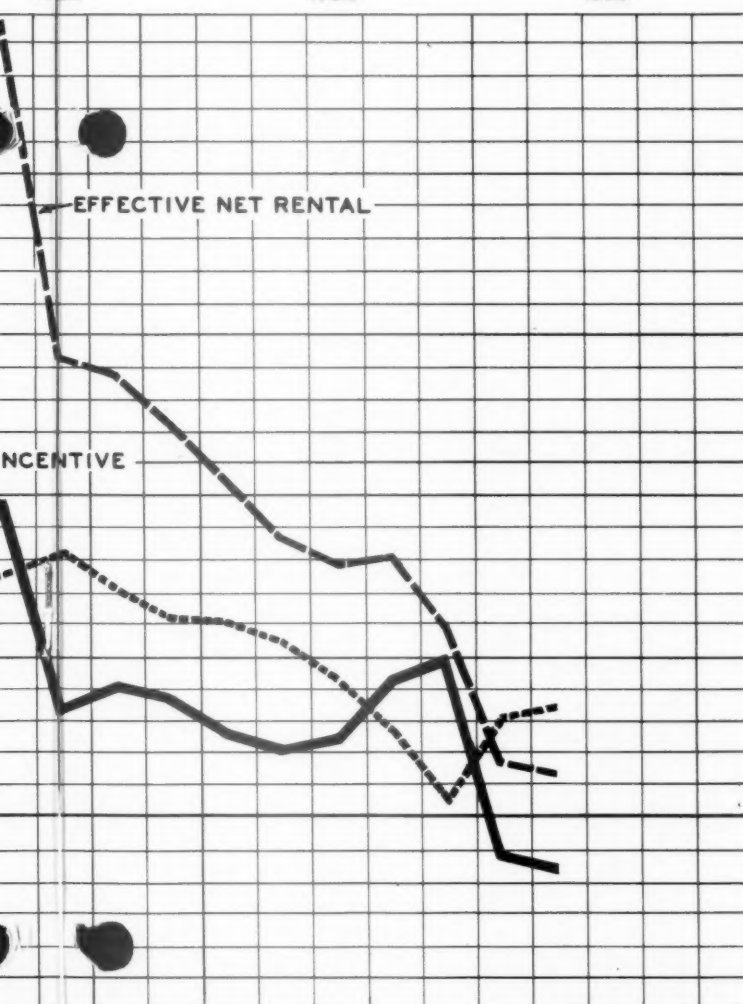
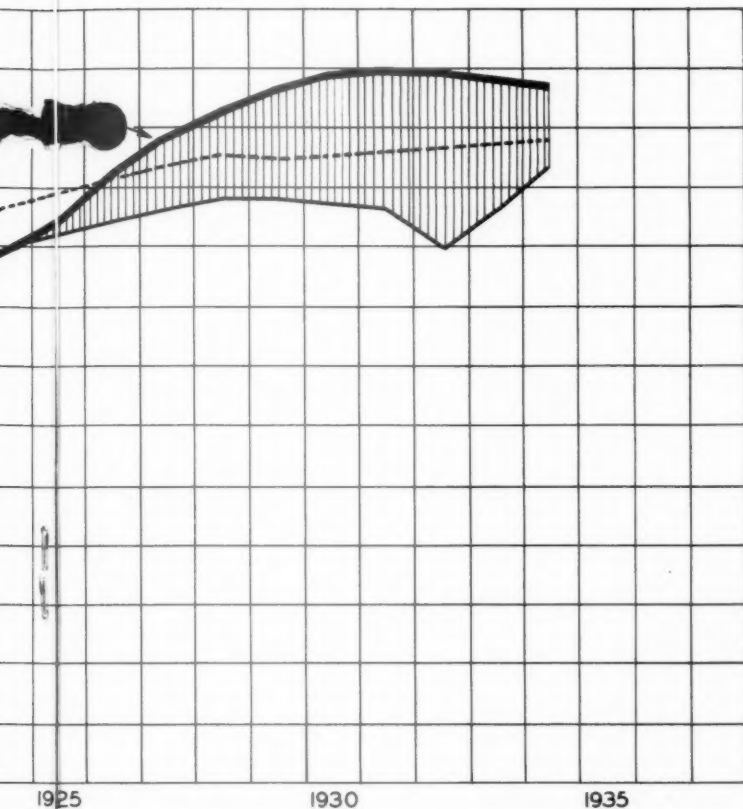


BAROMETER FIGURES

	1934												
	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	
GENERAL BUSINESS													
NATIONAL BUSINESS ACTIVITY	63.6	65.4	64.8	64.6	68.6	67.7	67.9	67.4	67.1	65.5	64.5	64.3	
ST. LOUIS BUSINESS ACTIVITY	62.6	59.0	62.2	63.1	64.1	64.6	65.9	65.7	66.2	66.6	68.4	69.5	
INDUSTRIAL PRODUCTION - U.S. 1923 - 1925 = 100	74	76	84	84	85	84	82	80	78	76	78	79	
FACTORY EMPLOYMENT - U.S. 1923 - 1925 = 100	76	75	78	81	82	82	81	79	80	75	78	78	
WAGES IN THE U.S. 1923 - 1925 = 100	84.6	85.5	86.0	86.5	88.0	87.5	87.5	87.0	87.0	81.0	81.0	80.0	
DEPARTMENT STORE SALES - U.S.	79	79	80	85	85	84	81	79	86	83	83	83	
DEPARTMENT STORE SALES - ST. LOUIS	88	83	88	86	87	86	90	89	88	91	91		
CHECK TRANSACTIONS 141 CITIES, EXCLUSIVE OF NEW YORK	51	53	52	60	58	58	57	55	54	53	50		
CHECK TRANSACTIONS ST. LOUIS	60	59	59	63	64	64	63	63	62	60	63	66	
CARLOADING - NATIONAL	63	66	68	67	64	66	67	65	60	62	61		
CARLOADING - ST. LOUIS	57	58	59	60	62	62	63	62	63	63	61	61	
MARRIAGE RATE - ST. LOUIS PER 10,000 ADULT MALES	16.6	17.7	18.1	19.2	19.3	20.2	20.5	19.8	20.0	19.1	20.2	19.3	
REAL ESTATE													
REAL ESTATE ACTIVITY - ST. LOUIS	-63.5	-59.8	-56.5	-54.6	-56.5	-57.7	-60.5	-59.0	-58.1	-58.0	-54.3	-53.4	
FORECLOSURE RATE - ST. LOUIS PER 100,000 FAMILIES	111	102	90	83	76	75	87	87	88	84	84	90	
DWELLING RENTALS - ST. LOUIS 1926 = 100	65.0	63.5	63.5	64.0	66.0	66.9	67.0	68.0	66.4	67.0	64.5	65.1	
APARTMENT RENTALS - ST. LOUIS 1926 = 100	55.8	54.6	53.4	53.6	52.7	53.5	53.1	53.4	53.3	53.1	52.5	52.6	
NEW BUILDING - U.S. 1927 = 100	7.8	4.4	4.5	3.4	3.7	12.1	8.5	9.2	9.2	9.2	8.5	8.5	
NEW BUILDING - ST. LOUIS 1927 = 100	4.5	4.2	4.2	4.0	4.3	4.8	5.0	5.2	6.1	6.4	7.6	7.6	
RESIDENTIAL VACANCY - ST. LOUIS	%	8.4	8.0	8.3	7.8	7.4	6.5	6.0	6.3	6.3	6.1	5.6	5.4
ALTERATIONS & REPAIRS - U.S. 1929 = 100	47	46	46	44	41	40	40	44	44	45	50.5		
ALTERATIONS & REPAIRS - ST. LOUIS 1929 = 100	33.8	45.0	57.5	72.5	71.3	60.0	55.0	57.5	52.5	58.2	54.6	58.4	

NOTE: THE NOVEMBER, 1934 NATIONAL FIGURES ARE ESTIMATES MADE FROM PRELIMINARY DATA.





THE PROFIT MOTIVE FOR RESIDENTIAL CONSTRUCTION

THE real estate cycle is of such length (15 or more years) that changes from month to month are almost imperceptible to the person not in a position to measure accurately the current level. This has resulted in the almost universal practice of capitalizing the present as a perpetuity. The general belief seems to be that whatever is now will continue. Of course anyone will dispute that statement, but the very man who will question it the loudest is very doubtful as to whether his real estate will be worth a great deal more five years from now than it is worth now. He was just as certain five years ago that its future value would not be greatly less than its value then. The man whose myopic vision cannot now see the brightening streaks of dawn will also fail to see the lengthening shadows after the crest of the coming boom has past. The measured data, charts and barometers prepared by Real Estate Analysts, Inc., would be of only theoretical value if they did not dispel illusions, replace uncertain memory with a recorded past and present to the informed that assurance of what the future can reasonably be expected to produce.

Recovery in real estate will come first in residential properties. The sequence of events in this recovery has been covered in many issues of the Real Estate Analyst.

The upper chart to the left shows the variation in the supply and demand for residential units in Saint Louis from 1900 to the present. The supply is shown by the heavy line. This line shows the number of living quarters of all types and conditions each year. It is affected by new construction, by demolition, by change of use and by all other factors, which either increase or decrease the net number of living quarters available each year. The lighter line on this chart shows the actual family demand for residential accommodations. This line is affected by population growth, changes in the size of the family, the marriage, divorce and death rates, and by any other factor which affects the number of separate housekeeping units. The shaded area between these lines shows the vacancies existing each year.

The dotted line on this chart shows the Census count of families each decade. The total families include families in rooming houses and institutions.

The rates of growth in the number of families, the rates of growth in the number of family accommodations, and the periods of relative scarcity and abundance are clearly shown by this chart.

The dash line in the lower chart to the left shows the variations in the effective net rental of four, five and six room residences. The dotted line shows the variations in the replacement cost of this same type of residential buildings. The solid line in this chart shows the relationship of effective net rentals to replacement costs. This line represents the profitableness of building four, five or six room residences and is designated the "incentive to build."

In determining the effective net rental index

such factors as the rent per room, the costs of taxes, insurance and water, the percentage of occupancy and the relationship of rental to sales price have been taken into consideration.

It is realized that in the construction of many single family residences, profit occupies a minor place among the many fundamental human desires a family gratifies in the construction of its own home; nevertheless, if construction costs are relatively high in relation to net rental and sales prices, there is a great chance that the average family will buy a used house in place of building a home of its own. We also believe that the figures we have charted here are representative of all types of residential quarters other than apartments, where heat and other services are included as a part of the rent.

These two charts show quite clearly the basic conditions which must exist before the incentive to build is active. These conditions are:

First - A scarcity must exist in living quarters suitable for habitation, as shown by the periods from 1900 to 1906 and 1920 to 1925, when the supply and the demand lines drew together in our upper chart. This scarcity is generally caused by a rapid increase in the number of families, although it is conceivable that it could be caused by a destruction of dwelling units.

Second - The relationship of effective net income to the cost of construction must be favorable. It is interesting to note that the incentive to build reached a higher point in 1904 than it did in the post war period, although this peak intensity lasted for only one year in the former as compared with three years in the latter. This was due to a more favorable ratio of net rental to cost of construction in 1904, when rentals rose rapidly while cost of construction remained fairly constant.

In the period preceding the building boom, which started in 1922, an entirely different situation maintained. In 1916, construction costs increased rapidly, reaching a peak in 1920, due to monetary factors coupled with war demand, while rentals continued to sag until 1919. From 1920 to 1922 rentals rose precipitously, due to scarcity, but it was not until 1922 when a favorable ratio occurred between net rentals and costs of construction that an intense incentive to build occurred and the building boom started.

From a study of the above charts it becomes apparent that the stage is now being set with conditions quite similar to the post war set-up, instead of the set-up which existed in 1904. Again the period of scarcity is approaching rapidly, and again construction costs have risen sharply due to monetary factors, while rentals have remained at a low level producing an unfavorable ratio of rentals to cost with a lack of incentive to build.

A study of these basic factors has been the reason that the Real Estate Analyst has maintained during the past few years that new building could not be greatly stimulated in the immediate future.

Because recovery of this important industry will start first in residential construction, the government is bending every effort to stimulate activity, while private incentive is lacking. The construction of additional living quarters now would, no doubt, upset the background of scarcity which is necessary before rentals will increase. Without an increase in rentals a favorable ratio between rentals and costs cannot be obtained. This would delay still further the development of an incentive sufficient to cause any great volume of new building.

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CUBIC COSTS

DECEMBER, 1934

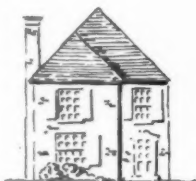
CUBIC costs are slightly lower now than they were three months ago. This is due largely to drops in the prices of plumbing fixtures, and in changes in code requirements on quantity prices on some hard materials.

MODERN BRICK BUNGALOW



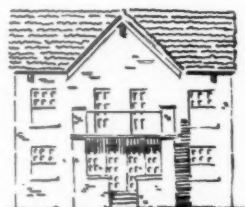
Bungalow, as shown and described in pages 122 and 123, exclusive of financing and sales commission... **26.5¢**
 With hot air heat subtract..... 1.5
 Without vitrolite in kitchen subtract..... 0.4
 With financing charges and sales commission add.. 2.0

SINGLE FAMILY TWO-STORY RESIDENCE



Single family residence, described on pages 62 and 63, exclusive of financing and sales commission... **26.0¢**
 With copper guttering, spouting & flashing, add.. 0.4
 With variegated slate roofing, add..... 1.0
 With hot water heat, add..... 1.1
 Without tile walls in bath, subtract..... 0.5
 Without shower & with cheap plumbing, subtract... 0.3
 With ordinary millwork, subtract..... 0.6
 With financing and sales commission, add..... 2.2

SPECULATIVE FOUR-FAMILY FLAT



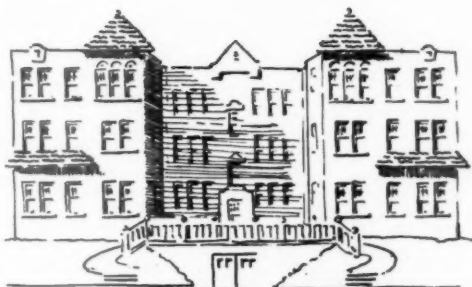
Speculative four-family flat as shown and described on pages 72 and 73, excluding cost of financing and sales commission... **22.7¢**
 With copper guttering, spouting & flashing, add.. 0.1
 With steam heat, add..... 0.8
 With tile walls in baths, add..... 0.6
 With showers in baths, add..... 0.4
 With first class plumbing fixtures, add..... 0.1
 With financing and sales commission, add..... 1.8
 With first grade roofing, add..... 0.1

EIGHTEEN-FAMILY MASONRY APARTMENT

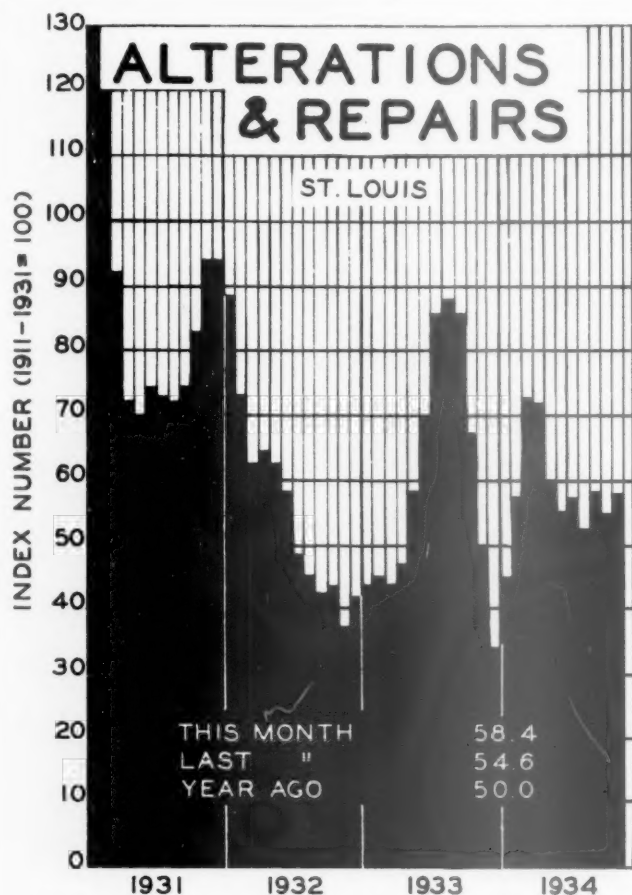


Eighteen family masonry apartment, as described on pages 82 and 83, excluding cost of financing and sales commission... **36.0¢**
 With electrical refrigeration, add..... 1.1
 With gas stoves, add..... 0.3
 With beds, add..... 0.1
 With iron rear porches & steps, add.... 1.2
 With financing & sales commission, add. 2.6

THIRTY-FAMILY REINFORCED CONCRETE APARTMENT



Thirty family reinforced concrete apartment, as shown and described on pages 92 and 93, excluding cost of financing and sales commission... **40.0¢**
 With electrical refrigeration, add..... 1.1
 With gas stoves, add..... 0.2
 With iron rear porches & steps, add.... 1.3
 With financing & sales commission, add. 3.0



THE chart to the left shows the volume of repair and alteration work done in Saint Louis each month for the past four years. The volume by months back to 1910 is shown in the long chart on pages 308-309 in the September issue.

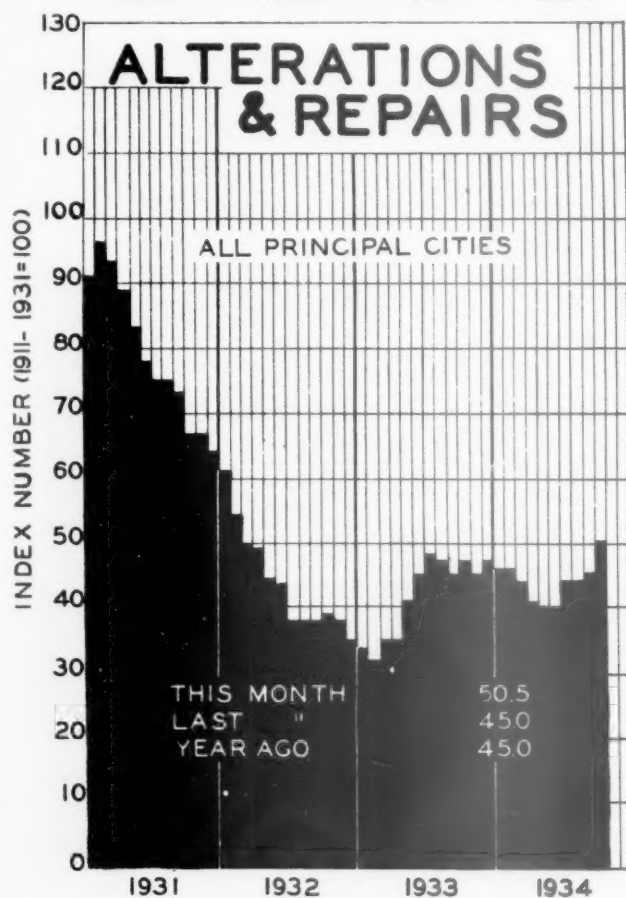
This index, as explained in that issue, has been adjusted for seasonal fluctuation, changes in the cost of making repairs and the growth of the city.

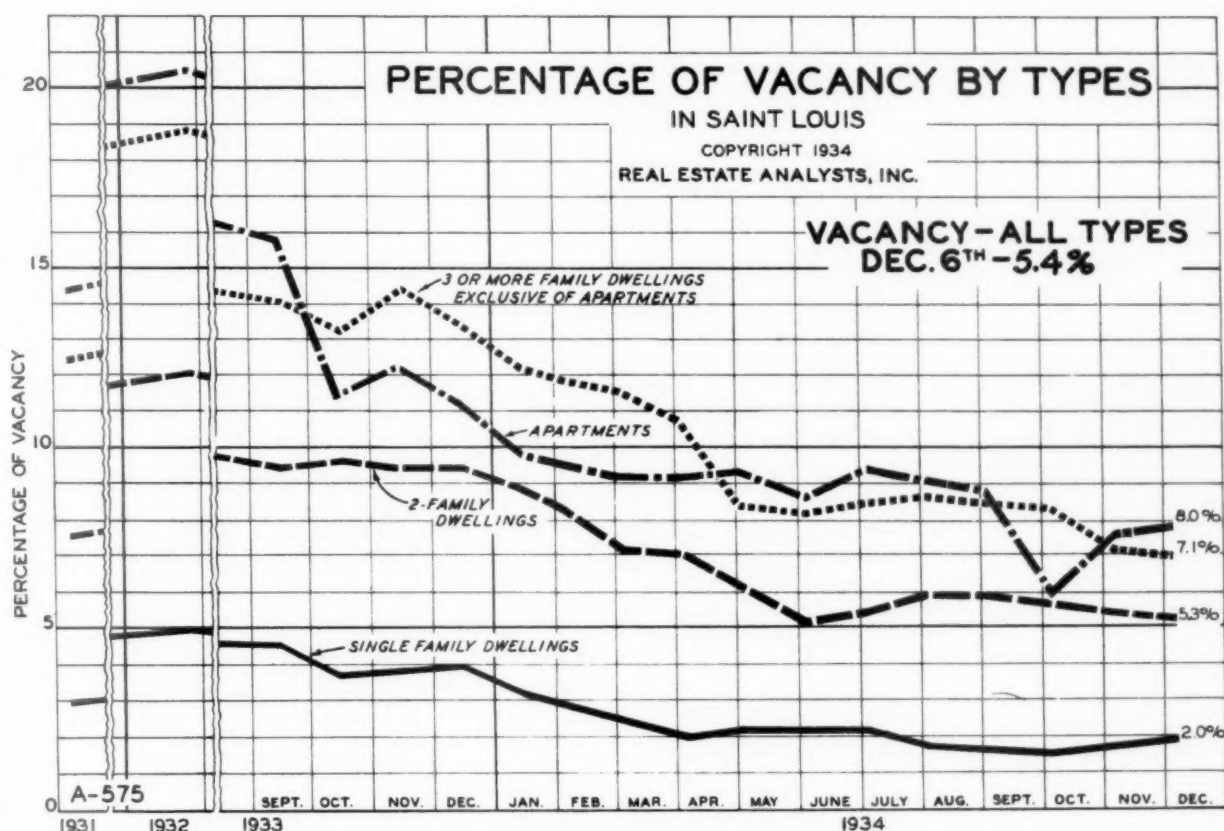
The November figures show a slight increase, due, no doubt, to the activity under the National Housing Act.

The lower chart shows the volume of repair and alteration work done in all principal cities each month for the past four years.

This index, like the local one above, has been adjusted for seasonal fluctuation, changes in the cost of making repairs and the growth of population.

National figures are not available as quickly as local ones, leaving this chart one month in arrears. The effect of the National Housing Act is slightly apparent in the last few months. The November figure will probably show a greater increase.





THE chart above shows the drop in residential vacancy in Saint Louis by types of units. Over the entire period covered by the chart the decrease in vacancy is quite marked. During the past month there was no absorption, our check showing the number of vacancies on December 6, practically the same as on November 5.

The number of vacant units in Saint Louis by months since the introduction of the monthly vacancy survey by Real Estate Analysts, Inc., is shown in the following table.

Month	Vacancy	%	Absorption
September '33	23,354	10.4	894
October	22,460	10.0	2,010
November	20,450	9.1	-900
December	21,350	9.5	1,102
January '34	20,248	9.1	1,598
February	18,650	8.3	1,100
March	17,550	7.8	900
April	16,650	7.4	1,950
May	14,700	7.5	1,200
June	13,500	6.0	-500
July	14,000	6.3	0
August	14,000	6.3	400
September	13,600	6.1	1,100
October	12,500	5.6	400
November	12,100	5.4	0
December	12,100	5.4	
Absorption in fifteen months			11,254

During the past year a great part of the desirable vacant units have been absorbed. A large part of the vacancy still remaining is not desirable.

In addition to the monthly figures above, we know that in November, 1932 residential vacancy totaled 28,207 units, or 12.8%. Vacancy has been reduced since then by 16,107 dwelling units.

